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Report to the Legislature

OFFICE OF THE GOVERNOR AND
LIEUTENANT GOVERNOR

Financial-Compliance Audit for the
Two Fiscal Years Ended June 30, 1984

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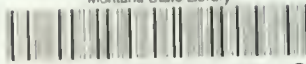
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Report to the Legislature
OFFICE OF THE GOVERNOR AND
LIEUTENANT GOVERNOR

Financial-Compliance Audit for the
Two Fiscal Years Ended June 30, 1984

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ELECTED AND ADMINISTRATIVE OFFICIALS

OFFICE OF THE GOVERNOR AND
LIEUTENANT GOVERNOR

Ted Schwinden	Governor
George Turman	Lieutenant Governor
Dave Lewis	Director Office of Budget and Program Planning
Succeeded by Dave Hunter December 17, 1984	

SUMMARY OF RECOMMENDATIONS

This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply.

	<u>Page</u>
<u>Recommendation #1</u>	
The office:	
A. Monitor federal grant expenditures to avoid the unnecessary use of General Fund money.	5
Agency Response: Concur. See page 31.	
B. Comply with the conditions of grant agreements.	5
Agency Response: Concur. See page 31.	
<u>Recommendation #2</u>	
The office:	
A. Claim non-General Fund payroll processing fees only once.	5
Agency Response: Concur. See page 31.	
B. Make a cost adjustment of \$43 to the appropriate federal programs for duplicate payroll costs.	5
Agency Response: Concur. See page 31.	
<u>Recommendation #3</u>	
The office:	
A. Ensure federal grant reports are submitted on a timely basis.	6
Agency Response: Concur. See page 31.	
B. Establish procedures to minimize the time federal funds are held.	6
Agency Response: Concur. See page 31.	

SUMMARY OF RECOMMENDATIONS (Continued)

Page

Recommendation #4

The office recover indirect costs of federally supported programs in accordance with state law.

7

Agency Response: Partially concur. See page 31.

Recommendation #5

The office record indirect cost reimbursements in accordance with state accounting policy.

8

Agency Response: Concur. See page 32.

Recommendation #6

The office:

A. Account for property items on one property system.

8

Agency Response: Concur. See page 32.

B. Establish controls to ensure accurate recording of property.

8

Agency Response: Concur. See page 32.

Recommendation #7

The office:

A. Implement a physical inventory plan in accordance with state policy.

9

Agency Response: Concur. See page 32.

B. Ensure each equipment item valued over \$200 is assigned a unique property tag.

9

Agency Response: Concur. See page 32.

Recommendation #8

The office record construction expenditures in the year the expenditures are incurred in accordance with state accounting policy.

10

Agency Response: Concur. See page 32.

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
<u>Recommendation #9</u>	
The office comply with state policy regarding the accrual of expenditures.	11
Agency Response: Concur. See page 32.	
<u>Recommendation #10</u>	
The office develop a functional disaster recovery plan for critical systems.	11
Agency Response: Concur. See page 32.	
<u>Recommendation #11</u>	
The Legislative Appropriation System and SBAS be made compatible to avoid duplication of effort in entering data.	12
Agency Response: Concur. See page 33.	
<u>Recommendation #12</u>	
OBPP document requests for and authorization of application modifications.	12
Agency Response: Concur. See page 33.	

INTRODUCTION

We performed a financial-compliance audit of the Office of the Governor and Lieutenant Governor for the two fiscal years ended June 30, 1984. The objectives of the audit were to: 1) determine if the financial schedules present fairly the office's results of operations for the two fiscal years ended June 30, 1984; 2) determine if the office complied with applicable laws and regulations; and 3) make recommendations for improvement in the management and internal controls of the office.

This report contains 12 recommendations to the office. These recommendations address areas where the office can improve management, internal control, financial reporting, and compliance with laws and regulations. Other areas of concern deemed not to have a significant effect on the successful operations of the office's programs are not specifically included in the report, but have been discussed with management.

In accordance with section 5-13-307, MCA, we analyzed the costs of implementing the recommendations made in this report. Each report section discloses the cost, if significant, of implementing the recommendation.

We thank the Governor, Lieutenant Governor, and their staffs for their cooperation and assistance during our audit.

BACKGROUND

The Governor's Office was created upon admission of Montana into the Union in 1889 and is provided for in Article VI of the Montana Constitution.

The following paragraphs discuss the functions of the various programs administered by the Office of the Governor and Lieutenant Governor.

Executive Office - oversees and directs the activities of the executive branch agencies to ensure responsible and responsive government for the people of Montana.

Lieutenant Governor - provided for in Article VI, Section 4, of the Constitution of Montana. The Lieutenant Governor is

responsible for performance of those duties prescribed by law and those delegated to him by the Governor. The Lieutenant Governor's Office also houses the state clearinghouse of federal communications.

Office of Budget and Program Planning (OBPP) - assists the Governor in the planning, preparation, and administration of the state budget; the development and evaluation of alternative program plans for the provision of state government services; and the examination and improvement of methods of providing services to the citizens of the state of Montana.

Prior to April 1983, OBPP established guidelines and priorities for data processing services, and approved procurement of data processing equipment for Montana state government. House Bill 427 of the 48th Legislature transferred these functions to the Department of Administration.

Citizens' Advocate Office - responsible for making state government more responsive and accessible to the citizens of Montana by receiving and seeking resolution of their complaints, problems, and inquiries regarding state government.

Mental Disabilities Board of Visitors - responsible for the protection of patients' rights, care, and treatment within Montana's institutions for the developmentally disabled and mentally ill and the community mental health centers.

Legal Jurisdiction Project - researches jurisdictional differences between the state and tribal entities. This project was transferred to the Department of Justice after fiscal year-end 1983.

Northwest Power Planning Council - the Pacific Northwest Electric Power and Conservation Planning Council was created in accordance with Public Law 96-501, passed by the U.S. Congress on December 5, 1980. The Power Planning Council is made up of two members from each of the states of Montana, Washington, Idaho, and Oregon. It is charged with the development of a 20-year electric energy plan that will provide an efficient and adequate electric power supply for consumers in the Pacific Northwest and encourage conservation and development of natural

resources. The council also directs fish and wildlife restoration in the Columbia River Basin and reviews actions taken by the Bonneville Power Administration.

Mansion Maintenance - responsible for the maintenance of the Governor's official residence and providing security coverage for the Governor and his family.

Air Transportation - provides transportation for the Governor and his staff.

FEDERAL GRANT COMPLIANCE

Our audit of federal moneys was performed in accordance with requirements in the U.S. Office of Management and Budget (OMB) "Circular A-102, Attachment P." This circular provides for audits of financial operations, including compliance with certain provisions of federal laws and regulations.

The Office of the Governor and Lieutenant Governor received federal funds from the agencies listed on page 30. We reviewed the major compliance areas in the Poplar River grant and the Air Quality Directory subgrant. Areas reviewed included specific grant provisions, cost allowability, and grantor reporting. Because the Northwest Power Planning Council was audited by an independent CPA firm we did not duplicate their compliance testing.

It is our opinion that the deficiencies noted did not significantly affect the successful operations of the programs or the allowability of costs in conformity with program regulations, except as noted below. Nothing came to our attention that causes us to believe untested compliance issues are not in accordance with applicable laws and regulations.

Poplar River Study Grant

In fiscal year 1983, the U.S. Environmental Protection Agency (EPA) granted funds to the Office of the Governor and Lieutenant Governor to study the Poplar River. The office was granted \$20,010 to establish water quality and flow stations and to monitor groundwater in cooperation with the United States Geological

Survey (USGS); \$1,669 to collect and analyze fish tissue; \$2,000 to prepare a final data report; and \$4,000 for travel expenses for a total grant of \$27,679.

At the closeout of the grant, the office had spent a total of \$30,497 for the Poplar River Study, \$2,818 in excess of the amount awarded by EPA. Because federal funds were exhausted, state General Fund moneys paid the excess \$2,818 of expenditures.

Based on documentation at the Governor's Office, two cooperative agreements were made with the USGS, one for \$20,010 and one for \$9,630. The second agreement was not provided for by EPA. According to a Governor's Office memo to its Poplar River Study file, "the grant was overcommitted." The memo also states "We have procedures to cover both financial reporting and also making commitments against Governor's Office funds. In this case, the procedures were not followed." The procedure the grant manager failed to follow in making the second USGS agreement was contacting the office's accountant to determine if remaining federal funds were sufficient to cover the agreement. If federal funds were insufficient, the executive assistant had to approve the use of General Fund moneys. If the grant manager had followed the office's procedures and monitored grant expenditures more closely, the second agreement would not exist and the use of General Fund money could have been avoided.

In addition, the office did not complete all the projects required under the grant agreement. The fish tissue analysis was not performed and no final data report was prepared. As a result, the office failed to meet specific grant requirements. Because these two projects were not completed, we question the allowability of the costs expended for the cooperative study which should have funded the fish tissue analysis and the final data report. The questioned costs amount to \$1,669 for the tissue study and \$2,000 for the data report.

RECOMMENDATION #1

WE RECOMMEND THE OFFICE:

- A. MONITOR FEDERAL GRANT EXPENDITURES TO AVOID THE UNNECESSARY USE OF GENERAL FUND MONEY.
- B. COMPLY WITH THE CONDITIONS OF GRANT AGREEMENTS.

Payroll Fees

In fiscal year 1983, the office directly charged federal programs \$43 to pay for part of a State Auditor's Office non-General Fund payroll processing fee. This same fee was allocated to the office through the Statewide Cost Allocation Plan (SWCAP) and, as a result, was again recovered from federal programs as part of the office's indirect cost reimbursement.

This issue was addressed in an audit of the Office of the State Auditor for the two fiscal years ended June 30, 1984. We recommended the State Auditor develop a system to charge state agencies for payroll costs which are allowable under federal regulations.

RECOMMENDATION #2

WE RECOMMEND THE OFFICE:

- A. CLAIM NON-GENERAL FUND PAYROLL PROCESSING FEES ONLY ONCE.
- B. MAKE A COST ADJUSTMENT OF \$43 TO THE APPROPRIATE FEDERAL PROGRAMS FOR DUPLICATE PAYROLL COSTS.

Circular A-102 Compliance

Federal agencies have established reporting deadlines for receiving reports submitted by grantees. According to OMB "Circular A-102, Attachment H":

"Federal agencies shall require grantees to submit the Financial Status Reports no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports, and 90 days for annual and final reports."

We tested the timeliness of submission of federal grant reports and found the closeout financial status report of the Poplar River Project was submitted six months after the end of the grant period. Our prior audit report also recommended to the office that it submit federal reports by the dates required in the grant agreements.

OMB Circular A-102, Attachment G, provides that grantee agencies shall establish procedures to minimize the time elapsing between the receipt of federal funds and their disbursement. In September 1982, \$25,000 was advanced to the Governor's Office for the Air Quality Directory grant. The office held \$5,714 of this advance until May 1984 when the unexpended grant balance was returned to the grantor. The cash was held eight months after the grant period ended in September 1983.

RECOMMENDATION #3

WE RECOMMEND THE OFFICE:

- A. ENSURE FEDERAL GRANT REPORTS ARE SUBMITTED ON A TIMELY BASIS.
- B. ESTABLISH PROCEDURES TO MINIMIZE THE TIME FEDERAL FUNDS ARE HELD.

INDIRECT COSTS

Indirect Cost Reimbursement Rate

The federal government recognizes and provides for reimbursements to state agencies for indirect costs incurred in the administration of federal grants. During fiscal years 1983 and 1984, indirect cost rates were not negotiated on the Governor's Office two Environmental Protection Agency grants.

Section 17-3-111, MCA, requires that each agency negotiate agreements with the federal government to recover, to the fullest

extent possible, indirect costs of administering federal grants. State policies furnish instructions for agencies to collect and account for these indirect cost reimbursements. By obtaining reimbursement of these costs through the federal grant, state funds would not be used to pay these costs.

Our prior audit report recommended to the office that it seek reimbursement for indirect costs in accordance with state law.

RECOMMENDATION #4

WE RECOMMEND THE OFFICE RECOVER INDIRECT COSTS OF FEDERALLY SUPPORTED PROGRAMS IN ACCORDANCE WITH STATE LAW.

Indirect Cost Recovery

The Office of the Governor and Lieutenant Governor recovers indirect costs for the Northwest Power Planning Council (NWPPC) grant. State accounting policy requires indirect cost reimbursement revenue be recorded in the fund in which costs were incurred. The indirect costs associated with this grant are incurred only in the General Fund.

The office's procedures to reimburse the General Fund for indirect costs double counts revenue and expenditures. Revenue is recognized once in the Special Revenue Fund when grant moneys are received and once when the indirect cost recovery is moved to the General Fund. Expenditures are recognized initially in the General Fund as the costs are incurred and again when the indirect cost recovery is removed from the Special Revenue Fund. The office should abate revenue in the Special Revenue Fund instead of recognizing expenditures when the indirect cost recovery is moved to the General Fund.

During fiscal year 1982, the office received \$7,722 of revenue from NWPPC to recover indirect costs. The office recognized the revenue in the Special Revenue Fund in fiscal year 1982 but failed to reimburse the General Fund until fiscal year 1983. The office should recognize indirect cost reimbursement revenue in the General Fund in the proper year.

The misstatements resulting from errors made in accounting for indirect cost recoveries are outlined in Note 5 to the financial schedules on page 28.

RECOMMENDATION #5

WE RECOMMEND THE OFFICE RECORD INDIRECT COST REIMBURSEMENTS IN ACCORDANCE WITH STATE ACCOUNTING POLICY.

EQUIPMENT ACCOUNTABILITY

Duplicate Property Control Systems

Section 2-1700.30 MOM requires all state agencies to account for all state-owned property, plant, and equipment with a value over \$200 and a useful life of greater than one year on the Property Accountability and Management System (PAMS) or a system approved by the Department of Administration.

In addition to PAMS, the Office of the Governor and Lieutenant Governor maintains its own Inventory Control System (ICS) to account for all office-owned property, plant, and equipment including items with a value less than \$200. This results in a duplication of records. The office updates ICS more frequently than PAMS, thus assets may be recorded on ICS and not on PAMS resulting in financial reporting errors. We noted at fiscal year-end 1984 that ICS did not agree to PAMS. A copier purchased for \$2,698 was recorded on the ICS and not on the PAMS.

RECOMMENDATION #6

WE RECOMMEND THE OFFICE:

- A. ACCOUNT FOR PROPERTY ITEMS ON ONE PROPERTY SYSTEM.
- B. ESTABLISH CONTROLS TO ENSURE ACCURATE RECORDING OF PROPERTY.

Physical Inventory and Identification Procedures

State policy requires each agency to establish an inventory plan and to perform a physical inspection of all fixed assets. Each equipment item valued over \$200 should be assigned a unique property tag number and have the tag affixed to it. To avoid defacing mansion assets with property tags, the office takes a picture of each inventory item in the Governor's mansion and affixes a property tag to the picture.

The Governor's Office has an informal plan to perform physical inventories once a year at fiscal year-end. The office last performed a physical inventory in August 1983. According to office officials, the office did not have sufficient personnel to perform a physical inventory at fiscal year-end 1984. Because there was no inventory taken at fiscal year-end 1984, the office was unable to determine if all items recorded on PAMS existed and were assigned property tags. In our testing, we noted the portable public address system in the Governor's mansion is not tagged or photographed even though the item is included in PAMS.

Our prior audit recommended the office implement an inventory plan in accordance with state policy and update inventory when items are purchased.

RECOMMENDATION #7

WE RECOMMEND THE OFFICE:

- A. IMPLEMENT A PHYSICAL INVENTORY PLAN IN ACCORDANCE WITH STATE POLICY.
- B. ENSURE EACH EQUIPMENT ITEM VALUED OVER \$200 IS ASSIGNED A UNIQUE PROPERTY TAG.

ACCOUNTING ISSUES

Construction Advance

In fiscal years 1983 and 1984, the Governor's Office failed to recognize expenditures incurred for the repair and improvement of the Governor's mansion.

In fiscal year 1982, the office advanced money to the Architectural and Engineering Division of the Department of Administration (A&E) to perform the construction on the mansion by recording expenditures. At fiscal year-end 1982, A&E had not spent \$14,935 of the amount advanced by the Governor's Office. Instead of deferring the unexpended portion until expenditures were actually incurred, the Governor's Office recognized the entire advance as fiscal year 1982 expenditures. During fiscal year 1983 and 1984, A&E continued to spend the construction advance as payments were made for repairs and improvements. This understated expenditures in the General Fund by \$5,643 and \$9,292 in fiscal years 1983 and 1984, respectively.

RECOMMENDATION #8

WE RECOMMEND THE OFFICE RECORD CONSTRUCTION EXPENDITURES IN THE YEAR THE EXPENDITURES ARE INCURRED IN ACCORDANCE WITH STATE ACCOUNTING POLICY.

Expenditure Accruals

According to state policy, expenditures are generally to be recognized in the period the related liability to pay the expenditure is incurred. During our testing, we noted problems with expenditure accruals.

We noted instances where \$7,794 of legal services performed in fiscal year 1983 and \$1,048 of telephone charges for June 1983 were not accrued at fiscal year-end 1983 understating fiscal year 1983 expenditures and overstating fiscal year 1984 expenditures in the General Fund.

We also noted one instance where printing services for \$170 provided during fiscal year 1984 were improperly accrued at fiscal year-end 1983. As a general rule, services must have been rendered during the fiscal year the expenditure is to be accrued.

RECOMMENDATION #9

WE RECOMMEND THE OFFICE COMPLY WITH STATE POLICY REGARDING THE ACCRUAL OF EXPENDITURES.

DATA PROCESSING

The Office of Budget and Program Planning (OBPP) operates a data processing system separate from the Department of Administration's Computer Center. The major OBPP data processing systems include:

1. Legislative Appropriation System (LAS),
2. Revenue Estimate System (RES),
3. Executive Budget System (EBS).

We identified the following data processing weaknesses.

Disaster Recovery Plan

OBPP lacks a formal written plan to be followed in the event a disaster disables its processing facility. OBPP has no agreement for alternative facility use or software storage. Lack of such a plan could cause unnecessary delay of the recovery of OBPP's systems and limit the office's ability to perform its functions.

RECOMMENDATION #10

WE RECOMMEND THE OFFICE DEVELOP A FUNCTIONAL DISASTER RECOVERY PLAN FOR CRITICAL SYSTEMS.

Duplication of Effort

The Legislative Appropriation System (LAS) records initial appropriation balances and tracks appropriation amendments. The data received from agencies during the budget process is key-punched once to be entered into the LAS and keypunched a second time to be entered into the Statewide Budgeting and Accounting System (SBAS). To be more efficient, the data should be key-punched once at OBPP and entered on tape for input into SBAS. The result of the double keypunching is a duplication of effort.

OBPP officials stated that LAS and SBAS are not encoded in the same sequence and are presently sequentially incompatible. We estimate the costs of reformatting LAS output for input into SBAS will not be significant.

RECOMMENDATION #11

WE RECOMMEND THE LEGISLATIVE APPROPRIATION SYSTEM AND SBAS BE MADE COMPATIBLE TO AVOID DUPLICATION OF EFFORT IN ENTERING DATA.

Application Changes

Changes in OBPP's software are made based upon discussions within the office, but no formal written request for modification or authorization is required. Because OBPP is a small office, one person may request, authorize, and execute changes in OBPP's applications. This could result in unnecessary, erroneous, or inappropriate changes to the office's software.

RECOMMENDATION #12

WE RECOMMEND OBPP DOCUMENT REQUESTS FOR AND AUTHORIZATION OF APPLICATION MODIFICATIONS.

INTERNAL CONTROL

We have examined the financial schedules of the Office of the Governor and Lieutenant Governor for the two fiscal years ended June 30, 1984. We issued our opinion dated January 14, 1985 on these schedules. As part of our examination, we made a study and evaluation of the office's control system. Our study evaluated the system as required by generally accepted governmental auditing standards for financial compliance audits. We classified the controls in the following categories:

1. expenditures/liabilities;
2. grants;
3. revenue/receivables;

4. property, plant, and equipment; and
5. payroll.

Our study included the control categories listed above. We applied alternative audit tests to revenue/receivables; and property, plant, and equipment as we determined it was more efficient to expand substantive testing for these areas. Through our study, we determined the nature, timing, and extent of our auditing procedures. We did not evaluate the control system to the extent necessary to give an opinion on either individual segments or the system as a whole.

The management of the Office of the Governor and Lieutenant Governor is responsible for establishing and maintaining a system of accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable assurance that: 1) assets are safeguarded against loss from unauthorized use or disposition; 2) transactions are executed in accordance with management's authorization; and 3) transactions are recorded properly to permit the preparation of financial schedules in accordance with state accounting policies. Inherent limitations in any system of controls may cause errors or irregularities to remain undetected. The current system evaluation should not be used to project to future periods since the procedures may become inadequate or compliance with them may deteriorate.

The limited purpose of our study described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of controls used by the Office of the Governor and Lieutenant Governor.

The preceding three paragraphs are intended solely for the use of management and the Legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon presentation to the Legislative Audit Committee, is a matter of public record.

STATE COMPLIANCE

We reviewed compliance with state laws that could have a material impact on the financial schedules of the office. In our opinion, the office complied with the state laws and regulations tested. Nothing came to our attention that causes us to believe untested compliance issues are not in accordance with applicable laws and regulations.

PRIOR AUDIT RECOMMENDATIONS

The previous audit of the office, for the two fiscal years ended June 30, 1982, contained ten individual recommendations. Of the nine recommendations still applicable to the office's operations, four have been implemented, three partially implemented, and two have not been implemented. In the previous audit the agency concurred with both of the recommendations it has not implemented.

Discussion of recommendations on which the office has not taken adequate corrective action regarding Circular A-102 compliance, an indirect cost reimbursement rate, and inventory and identification of equipment are discussed on pages 5, 6, and 9 of the report. The remaining recommendation not fully implemented has been discussed with management.

AUDITOR'S REPORT
AND SCHEDULES OF AGENCY FINANCIAL ACTIVITY

SUMMARY OF AUDIT OPINION

The auditor's opinion issued in this report is intended to convey to the reader of the financial schedules the degree of reliance that can be placed on the amounts presented.

We issued a qualified opinion on certain schedules in the report. The schedules and funds affected are listed in paragraph five of the auditor's opinion on page 17. These schedules are misstated due to problems in indirect cost recoveries and construction advances. The reader should consider the dollar misstatements noted in paragraphs three and four when analyzing financial information in these schedules.

Finally, we issued an unqualified opinion on the remaining schedules. The reader may rely on the amounts presented in these schedules when analyzing the office's operations.

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122



ROBERT R. RINGWOOD
LEGISLATIVE AUDITOR

DEPUTY LEGISLATIVE AUDITORS:

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FINANCIAL/COMPLIANCE AUDITS

SCOTT A. SEACAT
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STAFF LEGAL COUNSEL

JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the Schedule of Changes in Fund Balance; the Schedule of Revenue - Estimate and Actual; the Schedules of Program Expenditures by Fund - Budget and Actual; the Schedules of Program Expenditures by Object; and the Schedule of Agency Fund - Additions and Deductions of the various funds of the Office of the Governor and Lieutenant Governor for the fiscal years ending June 30, 1983 and 1984. Our examination was made in accordance with generally accepted auditing standards and Standards for Audits of Governmental Organizations, Programs, Activities, and Functions and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 1 to the financial schedules, the office's financial schedules are prepared in accordance with state accounting policy. Accordingly, the accompanying financial schedules are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

During fiscal year 1983, the office recognized \$7,722 of indirect cost recoveries from the Northwest Power Planning Council grant which should have been recognized in fiscal year 1982. This resulted in the misstatements in the General and Special Revenue Funds as described in Note 5.

The office improperly recorded construction advances which resulted in an overstatement of prior year expenditure adjustments of \$14,935 in the General Fund in fiscal year 1982-83.

In our opinion, except for the effects of the matters discussed in paragraphs three and four, the financial schedules listed below present fairly the results of operations and changes in fund balance of such funds of the Office of the Governor and Lieutenant Governor for the fiscal year indicated below, in conformity with the basis of accounting described in Note 1, applied on a consistent basis.

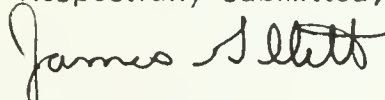
<u>Schedule Name</u>	<u>Fund</u>	<u>Fiscal Year</u>
Schedule of Changes in Fund Balance	General	Two Fiscal Years Ended June 30, 1984
	Special Revenue	Two Fiscal Years Ended June 30, 1984
Schedule of Revenue - Estimate and Actual	General	1983
Schedule of Program Expenditures - Budget and Actual	Special Revenue	1983
Schedule of Program Expenditures by Object		1983

In our opinion, the schedules listed below present fairly the results of operations and changes in fund balance of such funds of the Office of the Governor and Lieutenant Governor for the fiscal year indicated below, in conformity with the basis of accounting described in Note 1, applied on a consistent basis.

<u>Schedule Name</u>	<u>Fund</u>	<u>Fiscal Year</u>
Schedule of Revenue - Estimate and Actual	General	1984
	Special Revenue	1983, 1984
Schedule of Program Expenditures - Budget and Actual	General	1983, 1984
	Special Revenue	1984
Schedule of Program Expenditures by Object		1984
Schedule of Agency Fund - Additions and Deductions	Agency	Two Fiscal Years Ended June 30, 1984

Our examination was made for the purpose of forming an opinion on the financial schedules referred to in paragraph one. The accompanying Schedule of Federal Grant Receipts is presented for additional analysis and disclosure purposes. The schedule has been subjected to the tests and other auditing procedures applied in the examination of the financial schedules above, and in our opinion, except for the effects of the matter discussed in paragraph three, is fairly stated in all material respects in relation to the financial schedules referred to in paragraph one.

Respectfully submitted,



James H. Gillett, CPA
Deputy Legislative Auditor

January 14, 1985

Approved:



Robert R. Ringwood
Legislative Auditor

OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1984

	<u>General Fund</u>	<u>Special Revenue Fund</u>
FUND BALANCE, July 1, 1982	\$ -0- ²	\$ 29,573
ADDITIONS:		
Fiscal Year 1983		
Revenue	\$ 19,957	\$331,579
Prior Year Revenue Adjustments	(5,221)	(3,767)
Support From State of Montana	1,905,928	
Direct Entry to Fund Balance	644,499 ¹	
Fiscal Year 1984		
Revenue	11,653	328,470
Prior Year Revenue Adjustments	141	(5,855)
Support from State of Montana	2,123,108	
Total Additions	<u>4,700,065</u>	<u>650,427</u>
REDUCTIONS:		
Fiscal Year 1983		
Expenditures	2,535,392	345,414
Prior Year Expenditure Adjustments	28,836	602
Prior Year Expenditures	934	10,000
Fiscal Year 1984		
Expenditures	2,122,504	318,294
Prior Year Expenditure Adjustments	11,584	4,320
Prior Year Expenditure	815	
Direct Entry to Fund Balance		1,370 ¹
Total Reductions	<u>4,700,065</u>	<u>680,000</u>
FUND BALANCE, JUNE 30, 1984	\$ -0- ²	\$ -0-

¹ See Note 7 in the Notes to the Financial Schedules.

² See Note 3 in the Notes to the Financial Schedules.

These schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 26 through 29.

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OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR
SCHEDULE OF REVENUE - ESTIMATE AND ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1984

	<u>Reimbursements</u>	<u>Miscellaneous</u>	<u>Grants, Gifts, Bequests, and Donations</u>	<u>Federal Assistance</u>	<u>Total</u>
<u>FISCAL YEAR 1983-84</u>					
GENERAL FUND					
Estimated Revenue	\$12,500	\$ 100			\$ 12,600
Actual Revenue	11,653	-0-			11,653
Collections Over(Under) Estimate	<u>\$ (847)</u>	<u>\$ (100)</u>			<u>\$ (947)</u>
SPECIAL REVENUE FUND					
Estimated Revenue			\$ 27,834	\$ 451,679	\$ 479,513
Actual Revenue			3,589	324,881	328,470
Collections Over(Under) Estimate			<u>\$(24,245)</u>	<u>\$(126,798)</u>	<u>\$(151,043)</u>
<u>FISCAL YEAR 1982-83</u>					
GENERAL FUND					
Estimated Revenue	\$15,500	\$ 100			\$ 15,600
Actual Revenue	19,726	231			19,957
Collections Over(Under) Estimate	<u>\$ 4,226</u>	<u>\$ 131</u>			<u>\$ 4,357</u>
SPECIAL REVENUE FUND					
Estimated Revenue			\$ 4,000	\$ 392,000	\$ 396,000
Actual Revenue			14,900	316,679	331,579
Collections Over(Under) Estimate			<u>\$ 10,900</u>	<u>\$(75,321)</u>	<u>\$(64,421)</u>

These schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 26 through 29.

GENERAL FUN

Budget

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Personal

Operating

Equipment

Total

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Budget

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OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR
SCHEDULE OF PROGRAM EXPENDITURES BY FUND - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1984

	Executive Office	Mansion Maintenance	Air Transportation	Office of Budget & Program Planning	Northwest Power Planning Council	Lieutenant Governor	Citizens' Advocate	Mental Disabilities Board of Visitors	Total
GENERAL FUND									
Budget	\$1,308,228	\$64,805	\$108,487	\$677,307		\$215,306	\$57,944	\$75,226	\$2,507,303
Actual									
Personal Services	617,128	34,304	29,284	520,230		162,401	31,937	38,498	1,433,782
Operating Expenses	388,835	17,889	72,575	89,353		41,887	14,010	30,058	654,607
Equipment	17,116	1,160		11,057		4,646		136	34,115
Total Actual	1,023,079	53,353	101,859	620,640		208,934	45,947	68,692	2,122,504
Unspent Appropriation Authority	\$ 285,149	\$11,452	\$ 6,628	\$ 56,667		\$ 6,372	\$11,997	\$ 6,534	\$ 384,799
SPECIAL REVENUE FUND									
Budget	\$ 16,500				\$392,000				\$ 408,500
Actual									
Personal Services	1,603				168,919				170,522
Operating Expenses	5,889				139,549				145,438
Equipment	1,485				849				2,334
Total Actual	8,977				309,317				318,294
Unspent Appropriation Authority	\$ 7,523				\$ 82,683				\$ 90,206
ALL FUNDS TOTAL									
Budget	\$1,324,728	\$64,805	\$108,487	\$677,307	\$392,000	\$215,306	\$57,944	\$75,226	\$2,915,803
Actual									
Personal Services	618,731	34,304	29,284	520,230	168,919	162,401	31,937	38,498	1,604,304
Operating Expenses	394,724	17,889	72,575	89,353	139,549	41,887	14,010	30,058	800,045
Equipment	18,601	1,160		11,057	849	4,646		136	36,449
Total Actual	1,032,056	53,353	101,859	620,640	309,317	208,934	45,947	68,692	2,440,798
Unspent Appropriation Authority	\$ 292,672	\$11,452	\$ 6,628	\$ 56,667	\$ 82,683	\$ 6,372	\$11,997	\$ 6,534	\$ 475,005

These schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 26 through 29.

GENERAL FUND

Budget

Actual

Personal Service

Operating Expenses

Equipment

Local Assistance

Total Actual

Unspent Appropriation

Authority

SPECIAL REVENUE FUND

Budget

Actual

Personal Service

Operating Expenses

Equipment

Total Actual

Unspent Appropriation

Authority

ALL FUNDS TOTAL

Budget

Actual

Personal Service

Operating Expenses

Equipment

Local Assistance

Total Actual

Unspent Appropriation

Authority

¹House Bill 144 c

²The Legal Jurisc

OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR
SCHEDULE OF PROGRAM EXPENDITURES BY FUND - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1983

	Executive Office	Mansion Maintenance	Air Transportation	Office of Budget & Program Planning	Legal Juris- diction	Northwest Power Planning Council	Lieutenant Governor	Citizens' Advocate	Mental Disabilities Board of Visitors	Total
GENERAL FUND										
Budget	\$1,560,159	\$80,667	\$171,456	\$883,001	\$214,698 ²		\$205,307	\$77,036	\$53,108	\$3,245,432
Actual										
Personal Services	580,284	40,301	27,122	605,482			137,811	31,007	28,261	1,450,268
Operating Expenses	395,059	25,556	50,514	119,161	143,796		44,024	18,839	22,232	819,181
Equipment	21,132	1,891	77,451	13,435			17,485		1,419	132,813
Local Assistance	133,130 ¹									133,130
Total Actual	1,129,605	67,748	155,087	738,078	143,796		199,320	49,846	51,912	2,535,392
Unspent Appropriation Authority	\$ 430,554	\$12,919	\$ 16,369	\$144,923	\$ 70,902		\$ 5,987	\$27,190	\$ 1,196	\$ 710,040
SPECIAL REVENUE FUND										
Budget	\$ 76,552					\$374,000				\$ 450,552
Actual										
Personal Services	14,505					171,482				185,987
Operating Expenses	35,640					122,364				158,004
Equipment						1,423				1,423
Total Actual	50,145					295,269				345,414
Unspent Appropriation Authority	\$ 26,407					\$ 78,731				\$ 105,138
ALL FUNDS TOTAL										
Budget	\$1,636,711	\$80,667	\$171,456	\$883,001	\$214,698	\$374,000	\$205,307	\$77,036	\$53,108	\$3,695,984
Actual										
Personal Services	594,789	40,301	27,122	605,482		171,482	137,811	31,007	28,261	1,636,255
Operating Expenses	430,699	25,556	50,514	119,161	143,796	122,364	44,024	18,839	22,232	977,185
Equipment	21,132	1,891	77,451	13,435		1,423	17,485		1,419	134,236
Local Assistance	133,130									133,130
Total Actual	1,179,750	67,748	155,087	738,078	143,796	295,269	199,320	49,846	51,912	2,880,806
Unspent Appropriation Authority	\$ 456,961	\$12,919	\$ 16,369	\$144,923	\$ 70,902	\$ 78,731	\$ 5,987	\$27,190	\$ 1,196	\$ 815,178

¹House Bill 144 of the 1983 Legislative Session appropriated disaster relief funds for flood victims to be expended during fiscal year 1983.

²The Legal Jurisdiction Project was transferred to the Department of Justice at the fiscal year-end 1983.

These schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 26 through 29.

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OPERATING E
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Supplies a
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OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR
SCHEDULE OF PROGRAM EXPENDITURES BY OBJECT
FOR THE FISCAL YEAR ENDED JUNE 30, 1984

	<u>Executive Office</u>	<u>Mansion Maintenance</u>	<u>Air Transportation</u>	<u>Office of Budget & Program Planning</u>	<u>Northwest Power Planning Council</u>	<u>Lieutenant Governor</u>	<u>Citizens' Advocate</u>	<u>Mental Disabilities Board of Visitors</u>	<u>Total</u>
PERSONAL SERVICES									
Salaries	\$ 536,552	\$27,994	\$23,943	\$450,375	\$151,905	\$137,267	\$28,614	\$31,973	\$1,388,623
Other Compensation	246				787				1,033
Employee Benefits	<u>81,933</u>	<u>6,310</u>	<u>5,341</u>	<u>69,855</u>	<u>16,227</u>	<u>25,134</u>	<u>3,323</u>	<u>6,525</u>	<u>214,648</u>
Total Personal Services	<u>618,731</u>	<u>34,304</u>	<u>29,284</u>	<u>520,230</u>	<u>168,919</u>	<u>162,401</u>	<u>31,937</u>	<u>38,498</u>	<u>1,604,304</u>
OPERATING EXPENSES									
Contracted Services	163,045	733	7,408	43,494	59,542	7,586		9,617	291,425
Supplies and Materials	7,847	10,791	21,108	5,475	1,170	2,044	217	809	49,461
Communications	48,421	2,404	1,216	10,348	8,917	9,117	13,647	3,242	97,312
Travel	56,396		4,986	2,959	48,061	12,489		14,342	139,233
Rent	42,719	611		13,296	8,792	5,580		869	71,867
Utilities		2,822							2,822
Repair and Maintenance	11,824	256	37,857	6,640	653	2,290	50	372	59,942
Other Expenses	<u>64,472</u>	<u>272</u>		<u>7,141</u>	<u>12,414</u>	<u>2,781</u>	<u>96</u>	<u>807</u>	<u>87,983</u>
Total Operating Expenses	<u>394,724</u>	<u>17,889</u>	<u>72,575</u>	<u>89,353</u>	<u>139,549</u>	<u>41,887</u>	<u>14,010</u>	<u>30,058</u>	<u>800,045</u>
EQUIPMENT	<u>18,601</u>	<u>1,160</u>		<u>11,057</u>	<u>849</u>	<u>4,646</u>		<u>136</u>	<u>36,449</u>
TOTAL PROGRAM EXPENDITURES	<u>\$1,032,056</u>	<u>\$53,353</u>	<u>\$101,859</u>	<u>\$620,640</u>	<u>\$309,317</u>	<u>\$208,934</u>	<u>\$45,947</u>	<u>\$68,692</u>	<u>\$2,440,798</u>

These schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 26 through 29.

PERSONAL SERVICES

Salaries

Other Compensation

Employee Benefits

Total Personal

OPERATING EXPENSES

Contracted Services

Supplies and Materials

Communications

Travel

Rent

Utilities

Repair and Maintenance

Other Expenses

Total Operating

EQUIPMENT

LOCAL ASSISTANCE

From State Sources

TOTAL PROGRAM EXPENSES

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OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR
SCHEDULE OF PROGRAM EXPENDITURES BY OBJECT
FOR THE FISCAL YEAR ENDED JUNE 30, 1983

	Executive Office	Mansion Maintenance	Air Transportation	Office of Budget & Program Planning	Legal Juris- diction	Northwest Power Planning Council	Lieutenant Governor	Citizens' Advocate	Mental Disabilities Board of Visitors	Total
PERSONAL SERVICES										
Salaries	\$ 519,055	\$33,760	\$ 23,043	\$525,460		\$154,874	\$117,465	\$27,783	\$23,941	\$1,425,381
Other Compensation	630									630
Employee Benefits	75,104	6,541	4,079	80,022		16,608	20,346	3,224	4,320	210,244
Total Personal Services	<u>594,789</u>	<u>40,301</u>	<u>27,122</u>	<u>605,482</u>		<u>171,482</u>	<u>137,811</u>	<u>31,007</u>	<u>28,261</u>	<u>1,636,255</u>
OPERATING EXPENSES										
Contracted Services	212,458	4,268	5,086	71,496	\$140,909	36,098	14,575		9,327	494,217
Supplies and Materials	9,456	14,845	21,609	6,962		796	3,372	278	901	58,219
Communications	47,304	2,270	761	13,346		14,386	6,507	18,410	2,550	105,534
Travel	51,678		4,184	5,095	2,512	42,285	11,161		8,259	125,174
Rent	38,510	268		9,913		8,272	4,800	39	714	62,516
Utilities		2,920								2,920
Repair and Maintenance	7,269	644	18,788	6,490		540	667	26	5	34,429
Other Expenses	64,024	341	86	5,859	375	19,987	2,942	86	476	94,176
Total Operating Expenses	<u>430,699</u>	<u>25,556</u>	<u>50,514</u>	<u>119,161</u>	<u>143,796</u>	<u>122,364</u>	<u>44,024</u>	<u>18,839</u>	<u>22,232</u>	<u>977,185</u>
EQUIPMENT	<u>21,132</u>	<u>1,891</u>	<u>77,451</u>	<u>13,435</u>		<u>1,423</u>	<u>17,485</u>		<u>1,419</u>	<u>134,236</u>
LOCAL ASSISTANCE										
From State Sources	<u>133,130</u>									<u>133,130</u>
TOTAL PROGRAM EXPENDITURES	<u>\$1,179,750</u>	<u>\$67,748</u>	<u>\$155,087</u>	<u>\$738,078</u>	<u>\$143,796</u>	<u>\$295,269</u>	<u>\$199,320</u>	<u>\$49,846</u>	<u>\$51,912</u>	<u>\$2,880,806</u>

These schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 26 through 29.

OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR
SCHEDULE OF AGENCY FUND - ADDITIONS AND DEDUCTIONS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1984

Fund Balance, July 1, 1982	<u>\$ 6,145</u>
Deductions:	
Prior Year Receipt Abatements	<u>(6,145)</u>
Total Deductions	<u>(6,145)</u>
Fund Balance, June 30, 1983	<u>-0-</u>
Additions:	
Budgeted Receipts	43,205
Budgeted Receipt Abatements ¹	<u>(9,928)</u>
Total Additions	<u>33,277</u>
Deductions:	
Budgeted Disbursements	45,452
Budgeted Disbursement Abatements ²	<u>(12,175)</u>
Total Deductions	<u>33,277</u>
Fund Balance, June 30, 1984	<u>\$ -0-</u>

¹The activity recorded in the Agency Fund includes the developmental disabilities study required in House Bill 909 of the 1983 Legislative Session. In fiscal year 1984, the office deferred receipts of \$7,553 until fiscal year 1985 when the moneys will be disbursed.

²The office established separate responsibility centers within the Agency Fund to track the sources of funding for the developmental disabilities study and the related disbursements. The office recorded all disbursements during fiscal year 1984 in one responsibility center. At year-end, the office allocated these disbursements among all the responsibility centers by abating a portion of the disbursements recorded in the first responsibility center and recording disbursements in the other responsibility centers.

These schedules are compiled from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 26 through 29.

OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR

NOTES TO THE FINANCIAL SCHEDULES

JUNE 30, 1983 AND 1984

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Governor's Office utilizes the modified accrual basis of accounting which is described in the Montana Operations Manual.

Under the modified accrual basis of accounting, a valid obligation exists when the related liability is incurred except for the following items which are also considered valid obligations under state accounting policy.

- If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.
- The anticipated cost of equipment is expensed in the fiscal year in which budgeted.
- Goods ordered, but not received as of the fiscal year-end, may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

Basis of Presentation

The financial schedules were prepared from the Statewide Budgeting and Accounting System (SBAS) without adjustments. Accounts are organized on the basis of funds according to state law. The following fund types are used by the office:

General - accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue - accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Legislative appropriation is required to spend from this fund.

Agency - accounts for assets held in trust or as an agent by the office for others. The major item accounted for in this

fund is the developmentally disabled study. A legislative appropriation is not required to spend from these funds.

Vacation and Sick Leave

Employees are paid for 100 percent of unused vacation and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for vacation and sick leave are not reflected in the financial schedules of the Office of the Governor and Lieutenant Governor. Expenditures for termination pay currently are absorbed in the annual operational costs of the office. At June 30, 1984, the office had a liability of \$126,034 for vacation leave and \$66,484 for sick leave.

2. PENSION PLAN

Employees are covered by the Montana Public Employees' Retirement System (PERS). The office's contributions to the plan are shown below:

	<u>Fiscal Year</u> <u>1982-83</u>	<u>Fiscal Year</u> <u>1983-84</u>
PERS	\$50,199	\$52,347

3. GENERAL FUND BALANCE

The General Fund is a statewide fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the statewide General Fund as long as they stay within their appropriation limits. Thus, on an agency schedule the General Fund beginning and ending fund balance will always be zero.

4. GENERAL FIXED ASSETS

The office records assets on the state's Property and Accountability Management System. The general fixed asset equipment balance at June 30, 1984 is \$464,151. This amount

includes net additions of \$67,165 acquired during fiscal years 1983 and 1984.

5. INDIRECT COST RECOVERIES

The office's procedures to reimburse the General Fund for indirect costs double counts revenue and expenditures. Revenue and expenditures are recognized once in the Special Revenue Fund and once in the General Fund. Revenue and expenditures should be recognized only in the General Fund.

Also, the office made an error in recognizing fiscal year 1982 General Fund indirect cost reimbursement revenue in fiscal year 1983.

The following over and understatements were noted.

<u>Fiscal Year 1983</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Revenue	\$ 7,722	\$12,004
Prior Year Revenue Adjustments	(7,722)	7,722
Expenditures		19,726
<u>Fiscal Year 1984</u>		
Revenue		\$11,654
Expenditures		11,654

6. TRANSFERS

The office did not report any transfers in or transfers out in its accounting records during fiscal years 1983 and 1984.

7. DIRECT ENTRIES TO FUND BALANCE

The office made two direct entries during fiscal years 1983 and 1984. In fiscal year 1983, a direct entry to fund balance was made in the General fund for \$644,499. House Bill 412 of the 1983 Legislative Session provided that to the extent university mill levy revenues generated in fiscal year 1983 exceed \$13,079,452, General Fund shall revert. The mill levy generated revenues of \$13,723,951, \$644,499 in excess of the limit established in the

house bill. The Office of Budget and Program Planning (OBPP) made the entry to accomplish the objectives of the house bill.

In fiscal year 1984, the office made a direct entry to fund balance in the Special Revenue Fund for \$1,370. The entry adjusts for a revenue deferral error made in fiscal year 1983.

OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR
SCHEDULE OF FEDERAL GRANT RECEIPTS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1984

<u>Grantor/Grant Name</u>	<u>Grant Number</u>	Cash Receipts Fiscal Year <u>1983</u>	Cash Receipts Fiscal Year <u>1984</u>
Environmental Protection Agency			
Poplar River Project	R008187	\$ 19,679	\$ -0-
Air Quality Permit Directory	A008160-81-6	25,000	-0-
(subgranted from the Montana Department of Health and Environmental Sciences)			
Bonneville Power Administration			
Northwest Power Planning Council		272,000	306,253
Total		<u>\$316,679</u>	<u>\$306,253</u>

This schedule was prepared reporting receipts on a cash basis. The following schedule reconciles the receipts to Special Revenue Fund Federal Assistance revenue.

RECONCILIATION TO SPECIAL REVENUE FUND REVENUE

	<u>Fiscal Year</u> <u>1983</u>	<u>1984</u>
Receipts as reported above	\$316,679	\$306,253
Add: Revenue accrual		17,258
Adjustment to correct an error made in fiscal year 1983	<u> </u>	<u>1,370</u>
Total Special Revenue Fund Federal Assistance Revenue	<u>\$316,679</u>	<u>\$324,881</u>
(page 20)		

AGENCY RESPONSE

State of Montana
Office of the Governor
Helena, Montana 59620

TED SCHWINDEN
GOVERNOR

April 24, 1985

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APR 25 1985

MONTANA LEGISLATIVE AUDITOR

Mr. Robert R. Ringwood
Legislative Auditor
Office of the Legislative Auditor
State Capitol
Helena, MT 59620

Dear Mr. Ringwood:

Following are our responses to the recommendations contained in the audit of the Office of the Governor and Lieutenant Governor conducted by your staff.

Recommendation No. 1: We recommend the Office: A. Monitor federal grant expenditures to avoid the unnecessary use of General Fund money. B. Comply with the conditions of grant agreements.

Response: We concur and will comply with the recommendation.

Recommendation No. 2: We recommend the Office: A. Claim non-General Fund payroll processing fees only once. B. Make a cost adjustment of \$43 to the appropriate federal programs for duplicate payroll costs.

Response: We concur and will comply with the recommendation.

Recommendation No. 3: We recommend the Office: A. Ensure federal grant reports are submitted on a timely basis. B. Establish procedures to minimize the time federal funds are held.

Response: We concur and will comply with the recommendation.

Recommendation No. 4: We recommend the Office recover indirect costs of federally supported programs in accordance with state law.

Response: We partially concur with the recommendation. As we stated in our response to the legislative audit covering the fiscal years 1981 and 1982, we will make every reasonable effort to maximize indirect cost reimbursements to the state and will negotiate indirect costs when the benefits to the state outweigh the costs of negotiation. The Governor's Office will continue to examine, on a case-by-case basis, each federal grant to determine possible indirect cost recovery.

Recommendation No. 5: We recommend the Office record indirect cost reimbursements in accordance with state accounting policy.

Response: We concur and will comply with the recommendation.

Recommendation No. 6: We recommend the Office: A. Account for property items on one property system. B. Establish controls to insure accurate recording of property.

Response: We concur with the recommendation. The Governor's Office has obtained approval from the Department of Administration, Accounting Division, to enter memorandum totals only into the PAMS system. Our primary system will remain the Governor's Office Inventory Control System.

Recommendation No. 7: We recommend the Office: A. Implement a physical inventory plan in accordance with state policy. B. Ensure each equipment item valued over \$200 is assigned a unique property tag.

Response: We concur and will comply with the recommendation. We do not, however, anticipate that staff workload will permit a physical inventory at fiscal year end. An inventory will be scheduled as close to year end as possible.

Recommendation No. 8: We recommend the Office record construction expenditures in the year the expenditures are incurred in accordance with state accounting policy.

Response: We concur and will comply with the recommendation.

Recommendation No. 9: We recommend the Office comply with state policy regarding the accrual of expenditures.

Response: We concur with the recommendation. We do point out that, at the end of each fiscal year, we have approximately three weeks during which to close out all activity pertaining to that fiscal year. Given the strict time constraints and the volume of activity during those three weeks, it is likely that some errors will occur. We will, as always, attempt to minimize these errors.

Recommendation No. 10: We recommend the Office develop a functional disaster recovery plan for critical systems.

Response: We concur with the recommendation. A plan for recovery from a disaster is desirable and will be documented in our Administrative Manual.

Page three
April 24, 1985

Recommendation No. 11: We recommend the legislative appropriation system and SBAS be made compatible to avoid duplication of effort in entering data.

Response: We concur with the recommendation and intend to comply as soon as possible.

Recommendation No. 12: We recommend OBPP document requests for and authorization of application modifications.

Response: We concur with the recommendation and intend to document our discussions and decisions regarding modifications to OBPP software.

Sincerely,

A handwritten signature in cursive script, appearing to read "Teresa OLCOTT COHEA".

TERESA OLCOTT COHEA
Executive Assistant

